

Memorandum of Understanding for amendment of Rig Refurbishing Contracts

Between the undersigned Petroworks S. A. (hereinafter the "PW") a corporation organized under the laws of the State of Colombia, with its registered office in Cra 4 no. 73-71, Bogota, Colombia, represented in this act by Mr. Gabriel Rosales, identified as shown below his signature, who acts duly empowered for signing this MOU; and Jake Rollings, personally, and Jake's Equipment and Repair Inc. (both of them hereinafter "Jake") a corporation organized under the laws of the State of Texas, with its registered office in 6060 Romona Boulevard, Houston, TX, domiciled in he same place, represented in this act by Mr. Jake Rollings, identified as shown below his signature, who acts duly empowered for entering into this MOU, which shall be governed by the laws of Houston, Texas, in particular the following clauses:

WHEREAS

- a. PW and Jake agreed on a contract for refurbishment of 3 rigs by Jake, wich were received by Jake in conditions and times stated in schedule 1 of this MOU. In that agreement PW gave those rigs, wich were totally, solely and freely owned by PW, to Jake in order to be refurbished.
- b. Jake quoted the budget for total refurbishment of those rigs, and payment terms for that refurbishment job, as it was stated in its invoices number \_2006066-1, 2006108-1 and 2006137-1, dully issued by Jake's Equipment and Repair.
- c. PW paid the cash advances asked by Jake to perform the invoiced refurbishment project, having paid by the end of May, a total of usd. 211.750 usd to Jake; so the project could be started, executed and delivered
- d. The specifications agreed by both parties that rigs should have once the refurbishment finished, were stated in a document signed by Jake and PW agent, Marco Molina, on June 1-2006
- e. The refurbishment of the rigs has suffered several delays since that date, wich has lead parties to reschedule the delivery dates and make some amendments to its initial agreement, wich'will be specified here.

NOW THEREFORE, in consideration of the premises the Parties hereby agree as follows:

FIRST – DELIVERY TIMES:

1. First rig (identified as Rig number 1 in Schedule 1) shall be delivered in October 31 of 2006, the latest.
2. Second rig (identified as Rig number 2 in Schedule 1) shall be delivered in December 11 of 2006, the latest.
3. Third rig delivery date (identified as Rig number 3 in Schedule 1), and even a possible end of agreement on refurbishing it and a settlement of that work based in current progress done on it if any, shall be discussed and defined between parties in no more than 30 days

SECOND – NEW CASH ADVANCES

Any new cash advance to Jake shall be made in the form of direct payment from PW to vendors that have provided supplies needed for the refurbishment project of PW rigs. However, Jake commits to pay at least 60.000 usd. for each one of the rigs to be refurbished, in necessary supplies for them invoiced by vendors, within the delivery time agreed for each rig and in such manner that the project will not suffer any delay because of payment not made in appropriate time to vendors.



*Jake Rollings* *LM*

*w/ PW*

and in such manner that the project will not suffer any delay because of payment not made in appropriate time to vendors.

Any payment made by PW in that form, shall be asked to be done to PW agent at Houston, mr. Amando Ramirez, whose address and phone is known by Jake; under the condition that the supplies to be paid were necessary for the refurbishment project of PW rigs, and taking in account that the total amount of payments to be paid by PW in that form must not exceed the sum of usd. 75.000 for each rig and will be credited to any balance due to Jake.

#### THIRD - PENALTY FOR DEFAULT ON DELIVERY OF FIRST RIG

As a penalty for a possible default on delivery of the first rig to be delivered, that shall take place no later than October 31 of 2006, Jake agrees to give PW a completely refurbished Ideco 17.5 Rotary Table, in no more than 30 days after that date when delivery of the first rig shall be done. This penalty applies too if by that date the rig is delivered with the refurbishment works unfinished or in such manner that PW should refuse to take delivery of it because of quality or malfunction issues.

This clause does not limit the rights of PW to ask for further compensations of damages or harmful effects with regards to the aforesaid refurbishment project awarded to Jake, because of delays, quality issues or other issues.

#### FOURTH – TASK SCHEDULE

The base of tracking for the work to be performed at the first rig, will be the Task Schedule that is attached to this MOU as Schedule 2, and is known for both parties. Jake will try to do its best to comply with it, but in any case its commitment is to finish the refurbishment of this first rig by the aforesaid date.

#### FIFTH – EXTENDED SPECIFICATIONS SCHEDULE

Both parties agree on keeping as valid the standard specification schedule signed between them on June 1, 2006; however, Jake agrees to take note and comply with some additional guidances on the way some tasks of that specifications schedule shall be made, wich will be included in an extendend specification schedule to be issued by PW. It will be signed by Marco Molina on behalf of PW.

#### SIXTH –

Every expense or cost that could be necessary to incur and related to the rig's refurbishment project, such as transportation costs, repairs, materials used in works to be performed on the equipment, storage, labor costs; shall be at Jake's expense, meaning that the possibility of PW pays some expenses by Jake request does not mean they are not part of the cost considered for the refurbishment project

Materials, labor, parts, shipping and handling, certifications or inspections, that could be needed for the equipments, will be acquired at the best market price available.

SEVENTH - Notice of Completion. Upon completion of construction of the Rig, Jake shall provide PW written notice by facsimile transmission as provided below. PW shall be responsible for inspecting the Rig and making final payment of any balance on the refurbishment price, if he has not paid the full amount before that date directly to Jake or has not maid enough payments through the form provided in clause second, within five (5)

*Jake Rollings*

*Marco Molina*

business days from the date of such notice. The place of delivery will be Jake's address at Houston, Texas.

If upon the delivery of any of the Rigs, PW rejects to take delivery of it because it is not complete as offered or is not in the conditions offered; or because the works performed on the Rig and its parts or the spare parts used in it, are found to be of defective quality by PW; Jake should fix the reasonable defects reported by PW in no more than 8 days since the date of rejection.

#### EIGHTH- AMENDMENTS

No amendment, reform or right waiver under this MOU or provision herein (including its Schedules) will bind either of the parties except if written and signed by their duly authorized representatives.

#### NINETH ,- NOTICES

Each and all notices or any other information to be provided the Parties shall be addressed to each of the Parties Representative via fax, certified mail or delivered in person to the following addresses:

PW

Address: Cra 4 #73-71 Piso1. Bogotá-Colombia

Attention: Gabriel Rosales

Telephone: (57) 3114627477 – (57)3135133333

Fax: (57)13213173

E-mail: [groguz@yahoo.com](mailto:groguz@yahoo.com); [gabrielrosales@petroworks.net](mailto:gabrielrosales@petroworks.net)

JAKE

Address: 6060, Romona Boulevard. Houston, TX -

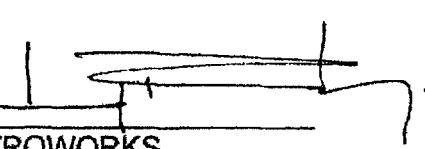
Attention: Jake Rollings

Telephone:

Fax:

E-mail: [jakerollingss@aol.com](mailto:jakerollingss@aol.com)

IN WITNESS WHEREOF the-Parties sign this MOU on the 22 day of September of 2006,

BY:   
PETROWORKS

BY:   
JAKE ROLLINGS AND JAKE EQUIPMENT AND REPAIR INC.

WITNESS:  \_\_\_\_\_

witness  
All  
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**SCHEDULE 1 OF AGREEMENT BETWEEN JAKE ROLLINGS AND PETROWORKS  
(Sept 22, 2006, Houston - tx)**

**STATE OF RIGS AS THEY WERE RECEIVED BY JAKE ROLLINGS AND  
JAKE'S EQUIPMENT AND REPAIR (Jake R) FROM PETROWORKS**

**a) RIG IDECO H-37 #1 – Received on first week of may 2006:**

**It was delivered to Jake Rollings as follows:**

**1. BASIC RIG (CARRIER UNIT)**

- Double drum; main drum complete , with draw works drive (oil-chain), complete brake system blocks, bands and rings for circulating water cooling, and crown o matic brake system. Sandline drum was also complete, with complete brake system blocks, bands and rings for circulating water-cooling. Everything needed repairs and maintenance.
- Rotary drive; with propeller and flange-shaft (heavy type).
- Transmission; Allison CLBT 5860, complete but needed to be refurbished.
- Hydraulic system; complete but needed to be refurbished
- Pneumatic system; complete but the air compressor needed to be changed for a new or refurbished one
- Engine-450 HP; Detroit Diesel 8V71. Needed to be repaired.
- Hydraulic winch; Braden PD 12. Complete but needed to be changed.
- Carrier; front tandem (steering)-2 axles , rear tandem-3 axles floating axle include, 4-hydraulic jackscrews and deadline anchor. The carrier was complete but tandems and axles needed refurbishment or change.
- No walkways and stairways with handrails on both side of the carrier.
- Electric starting system (24 volts) with wiring and battery

All systems with tanks and gauges, to be repaired

**2. MAST**

- Angle mast 105' – 270000 pounds with crown arrangement for 6 lines, monkey board, pneumatic rod board for 3-rods hanging and slide. Everything complete but needing repairs and welding at several points to pass NDT inspection

**b) RIG IDECO H-37 #2 – Received on first week of may 2006:**

**It was delivered to Jake Rollings as follows:**

**3. BASIC RIG (CARRIER UNIT)**

*Jake Rollings*

*W. J. Rollings*

- Double drum; main drum complete, with draw works drive (oil-chain), brake system blocks, bands and rings for circulating water cooling, and crown o matic brake system. Sandline had only the center mainshaft. Everything needed repairs and maintenance.
- Rotary drive; with propeller and flange-shaft.
- Transmission; Allison CLBT 5860, complete but needed to be refurbished.
- Hydraulic system; complete but needed to be refurbished
- Pneumatic system; complete but the air compressor needed to be changed for a new or refurbished one
- Engine-450 HP; Detroit Diesel 8V71. Needed to be repaired.
- Hydraulic winch. Complete but needed to be changed.
- Carrier; front tandem (steering)-2 axles , rear tandem-3 axles floating axle include, 4-hydraulic jackscrews and deadline anchor. The carrier was complete but tandems and axles needed refurbishment or change.
- No walkways and stairways with handrails on both side of the carrier.
- Electric starting system (24 volts) with wiring and battery

All systems with tanks and gauges, to be repaired

#### 4. MAST

- Angle mast 105' – 270000 pounds with crown arrangement for 6 lines, monkey board, pneumatic rod board for 3-rods hanging and slide. Everything complete but needing repairs and welding at several points to pass NDT inspection

#### c) RIG IDECO H-37 #3 – Received on last week of may 2006:

It was delivered to Jake Rollings as follows:

#### 5. BASIC RIG (CARRIER UNIT)

- No drums or drawworks on it.
- Rotary drive; with propeller and flange-shaft (heavy type).
- No transmission.
- Hydraulic system; complete but needed to be refurbished
- Pneumatic system; complete but the air compressor needed to be changed for a new or refurbished one
- Engine-450 HP; Detroit Diesel 8V71. Needed to be repaired.
- Hydraulic winch. Complete but needed to be changed.
- Carrier; front tandem (steering)-2 axles , rear tandem-3 axles floating axle include, 4-hydraulic jackscrews and deadline anchor. The carrier was complete but tandems and axles needed refurbishment or change.
- No walkways and stairways with handrails on both side of the carrier.
- Electric starting system (24 volts) with wiring and battery

All systems with complete tanks and gauges, to be repaired

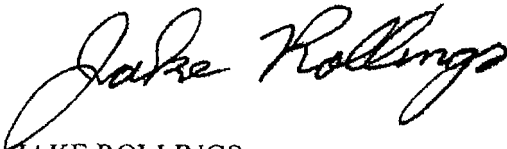
*Jake Rollings*

*HR*

6. MAST

- Angle mast 105' – 270000 pounds with crown arrangement for 6 lines, monkey board, pneumatic rod board for 3-rods hanging and slide. Everything complete but needing repairs and welding at several points to pass NDT inspection

IN WITNESS WHEREOF:

  
JAKE ROLLINGS

  
witness





